

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Sebewaing Harbor Commission	County Huron
Audit Date 3/31/05	Opinion Date 9/1/05	Date Accountant Report Submitted to State: 9/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

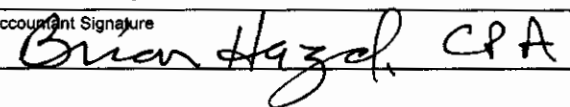
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel P.C.			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature  CPA			Date 9/29/05

**SEBEWAING HARBOR COMMISSION
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005**

SEBEWAING HARBOR COMMISSION

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ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Board of Commissioners
Sebewaing Harbor Commission
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the business type activities of the Sebewaing Harbor Commission, Sebewaing, Michigan as of and for the year ended March 31, 2005, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sebewaing Harbor Commission, Sebewaing, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Sebewaing Harbor Commission, Sebewaing, Michigan as of March 31, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as noted in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

NIETZKE & FAUPEL, P.C.
SEBEWAING, MICHIGAN

September 1, 2005

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SEBEWAING HARBOR COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sebewaing Harbor Commission, we offer readers this narrative overview and analysis of the financial statements of the Sebewaing Harbor Commission for the year ended March 31, 2005. Please read it in conjunction with the Harbor's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Sebewaing Harbor Commission exceeded its liabilities as of March 31, 2005 by \$157,234 (net assets).

The majority of the decrease in net assets can be attributed to the lack of boat slip rentals due to shallow water conditions in the marina and adjoining river.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Sebewaing Harbor Commission's basic financial statements. The Harbor is a special-purpose government engaged only in business type activities.

The basic financial statements report information about the Harbor using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

The statement of net assets presents information on all of the Harbor's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Harbor is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the Harbor's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The basic financial statements can be found on pages 1-4 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 5-7 of this report. You should read the notes before making assumptions or drawing conclusions about the Harbor's financial condition.

SEBEWAING HARBOR COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table presents the condensed statement of net assets as of March 31, 2005:

Current assets	\$ 1,798
Capital assets	103,340
Other assets	<u>70,683</u>
Total assets	<u>175,821</u>
 Liabilities	 <u>18,587</u>
 Net assets:	
Investment in capital assets	103,340
Unrestricted	<u>53,894</u>
Total net assets	<u>\$157,234</u>

Because this is the first year of implementation of GASB 34, prior year information is not available, therefore, most comparisons will be omitted. However, in future years, a comparative analysis of data will be presented.

The assets of the Sebewaing Harbor Commission exceeded its liabilities as of March 31, 2005 by \$157,234.

As of March 31, 2005, the largest portion of the Harbor's net assets reflects its investment in capital assets (\$103,340) (land on which the marina is located) less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. At March 31, 2005 there was no debt related to any of the capital assets.

On October 21, 2003, the Harbor Commission purchased the right to operate the marina from the private operator through the assignment of the operating lease with the Michigan Department of Natural Resources. The purchase of the assignment of the operating lease was for \$75,100. As a result, the fiscal year 2004-2005 was the first year that the Sebewaing Harbor Commission operated the marina.

The following table shows condensed revenue and expense data for the year ended March 31, 2005:

Operating revenue	\$ 25,831
Operating expenses	<u>48,647</u>
Operating loss	(22,816)
Capital contributions	<u>14,803</u>
Change in net assets	(8,013)
Net assets, beginning of year	<u>165,247</u>
Net assets, end of year	<u>\$157,234</u>

The Harbor Commission generates the majority of its revenue from fees from the boat launch and the rental of boat slips in the marina. For the year ended March 31, 2005, the revenue from these fees amounted to \$18,843. The Harbor Commission also generates revenue from

SEBEWAING HARBOR COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

the sale of marine gasoline and merchandise. The sales of these items amounted to \$3,536 for the fiscal year ended March 31, 2005.

The Harbor's net asset decrease of \$(8,013) is due primarily to the loss from operations during the fiscal year.

CAPITAL AND DEBT ADMINISTRATION

Capital assets. The Sebewaing Harbor Commission's capital assets as of March 31, 2005 were \$103,340. This is the cost of the land on which the marina is located. The construction costs of the marina were financed by the Michigan Department of Natural Resources.

Long-term debt. The only debt that the Harbor Commission has outstanding as of March 31, 2005 is an amount due to the Village of Sebewaing in the amount of \$18,366. This amount represents monies that the Village has advanced to the Harbor Commission for operations and the purchase of the land.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

During this past fiscal year, the Department of Natural Resources, Parks & Recreation Division allocated a grant in the amount of \$100,000 to the Village of Sebewaing and Sebewaing Harbor Commission for the purpose of dredging a shallow area at the mouth of the Sebewaing River. The Sebewaing Harbor Commission is suffering from a lack of revenue due to its ability to rent boat slips due to this shallow area. This grant shall be used for dredging, environmental testing, transportation and disposal of the dredged material, and engineering costs. On August 23, 2005, a Grant-in-Aid Agreement was signed between the Village of Sebewaing and the Michigan Department of Natural Resources to fund and complete this project. The purpose of this project is to deepen the channel at the mouth of the Sebewaing River to allow safer ingress and egress to and from Saginaw Bay and the Sebewaing Marina. Upon completion of this project, the Sebewaing Harbor Commission can advertise slip rental to larger boats. This should help the Sebewaing Harbor Commission in future revenues.

REPORTS FOR INFORMATION

This financial report is designed to provide a general overview of the Sebewaing Harbor Commission's finances. Questions concerning this report or requests for additional information should be addressed to the Village of Sebewaing, 108 W. Main Street, Sebewaing, Michigan 48759.

BASIC FINANCIAL STATEMENTS

SEBEWAING HARBOR COMMISSION

STATEMENT OF NET ASSETS MARCH 31, 2005

<u>ASSETS</u>	
CURRENT ASSETS:	
Cash	\$ 823
Due from Sebewaing Township	975
TOTAL CURRENT ASSETS	<u>1,798</u>
CAPITAL ASSETS:	
Land	<u>103,340</u>
OTHER ASSETS:	
Marina lease	75,100
Accumulated amortization	<u>(4,417)</u>
TOTAL OTHER ASSETS	<u>70,683</u>
TOTAL ASSETS	<u>175,821</u>
LIABILITIES:	
Due to Village of Sebewaing	18,366
Deferred Revenue	<u>221</u>
TOTAL LIABILITIES	<u>18,587</u>
NET ASSETS:	
Investment in capital assets	103,340
Unrestricted	<u>53,894</u>
TOTAL NET ASSETS	<u>\$ 157,234</u>

SEBEWAING HARBOR COMMISSION

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2005

OPERATING REVENUE:

Seasonal launch permits	\$ 3,960
Transient boat launches	7,575
Boat slip rentals	7,308
Gas sales	2,053
Store sales	1,483
Donations	3,452

TOTAL OPERATING REVENUE	<u>25,831</u>
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OPERATING EXPENSES:

Wages	18,684
Payroll taxes	1,920
Supplies	2,694
Utilities	5,135
Professional services	655
Insurance	7,651
Repairs and maintenance	3,526
Gasoline	1,945
Miscellaneous	617
Amortization	4,417
Capital outlay	1,403

TOTAL OPERATING EXPENSES	<u>48,647</u>
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OPERATING (LOSS)	<u>(22,816)</u>
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CAPITAL CONTRIBUTIONS	14,803
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CHANGE IN NET ASSETS	<u>(8,013)</u>
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NET ASSETS - APRIL 1	165,247
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NET ASSETS - MARCH 31	<u><u>\$ 157,234</u></u>
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SEBEWAING HARBOR COMMISSION

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 25,831
Cash payments to suppliers of goods and services	(20,626)
Cash payments to employees	(18,684)
Cash payments for fringe benefits	<u>(1,920)</u>
Net cash used by operating activities	<u>(15,399)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Proceeds from joint owners	14,803
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NET (DECREASE) IN CASH (597)

CASH - BEGINNING OF THE YEAR 1,420

CASH - END OF THE YEAR \$ 823

**Reconciliation of operating (loss) to net cash
flows from operating activities:**

Operating (loss)	\$ (22,816)
Add amortization expense	4,417
Increase in amount due to Village of Sebewaing	3,000

Net cash used by operating activities \$ (15,399)

SEBEWAING HARBOR COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Sebewaing Harbor Commission have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies are described below.

Financial Reporting Model:

The Board has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Reporting Entity:

The financial statements of the Sebewaing Harbor Commission consists only of the funds of the marina. The Sebewaing Harbor Commission has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Sebewaing Harbor Commission. Control or dependence is determined on the basis of accountability, budget adoption, taxing authority, funding and appointment of the respective governing board.

The Sebewaing Harbor Commission was formed as a joint venture between the Village of Sebewaing and Sebewaing Township for the purpose of planning, acquiring, constructing and operating a community harbor and marina to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Also, each governing body is equally responsible to provide financial funding to the Harbor Commission until the Commission is self-sufficient. Based on this financial and oversight responsibility being shared equally by the Village of Sebewaing and Sebewaing Township, the Sebewaing Harbor Commission is being treated as a joint venture of the two governing bodies and a separate governmental entity.

During the land acquisition phase, the Village of Sebewaing advanced funds to the Harbor Commission that were used for the purchase of land at the proposed site of the marina. The proceeds of the state grants and Sebewaing Township's share of the local matching funds were used to reimburse the Village for part of the funds advanced. As of March 31, 2005, the amount due to the Village of Sebewaing from the Harbor Commission amounted to \$18,366. As of March 31, 2005, the amount due from Sebewaing Township amounted to \$ 975.

SEBEWAING HARBOR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation:

The Harbor Commission is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Commission follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND DEPOSITS:

Deposits are carried at cost. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the Commission Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loans associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase. The Commission deposits are in accordance with statutory authority.

The carrying amount of cash and deposits with financial institutions of the Sebewaing Harbor Commission amounted to \$ 823 at March 31, 2005. The bank balance as of the same date was \$877. Deposits with financial institutions are insured by the FDIC.

SEBEWAING HARBOR COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 – CHANGES IN CAPTIAL ASSETS:

Capital assets of the Harbor Commission consisted of the following:

	<u>April 1, 2004</u>	<u>Additions</u>	<u>March 31, 2005</u>
Land	\$103,340		\$103,340

NOTE 4 – OTHER ASSETS:

The completed marina has been leased to a private operator through the year ended March 31, 2004. The Sebewaing Harbor Commission was to receive rent for the real estate where the marina is located. The Michigan Department of Natural Resources was to receive rent for the facilities which the Department constructed and owns. No rent income was received during the fiscal year ended March 31, 2005.

During the year ended March 31, 2004, the Sebewaing Harbor Commission purchased the marina operating lease from the private operator for \$75,100. The cost of the operating lease is being amortized over the remaining term of the lease which is 17 years. For the fiscal year ended March 31, 2005, the marina was operated by the Sebewaing Harbor Commission.

NOTE 5 – RISK MANAGEMENT:

During the year ended March 31, 2005, the Harbor Commission purchased commercial insurance to protect against losses related to its general liability.